

HEARING DATE: December 6, 2011
TIME: 10:00 a.m.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re	
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	Chapter 11 Case No. 08-13555(JMP)
Debtors.	(Jointly Administered)
In re	
LEHMAN BROTHERS SPECIAL FINANCING, INC., <i>et al.</i>	Chapter 11 Case No. 08-13888(JMP)
Debtors.	(Jointly Administered)

**OBJECTION AND RESERVATION OF RIGHTS BY SIMPSON MEADOWS TO
DEBTORS' NOTICE OF PROPOSED ASSUMPTION OF EXECUTORY CONTRACTS**

Simpson Meadows ("Simpson Meadows") respectfully submits this Objection and Reservation of Rights to the Notice of Proposed Assumption of Executory Contracts and Unexpired Leases Pursuant to Debtors' Third Amended Joint Chapter 11 Plan Pursuant to Section 1121 of the Bankruptcy Code, dated October 27, 2011 (the "Notice of Proposed Assumption") as it relates to Simpson Meadows, and states as follows:

1. Simpson Meadows and Lehman Brothers Special Financing Inc. (“LBSF”) are parties to an interest rate swap transaction pursuant to an ISDA Master Agreement (“Master Agreement”) dated as of August 17, 2005, as supplemented by a Schedule and Credit Support Annex, each dated as of August 17, 2005, a Guarantee from Lehman Brothers Holding Inc. (“LBHI”), dated as of August 17, 2005, and a Confirmation (Ref. No. 2238481) with a trade date of August 17, 2005 (all the foregoing collectively referred to herein as the “Swap Agreement,” with the swap transaction effectuated thereby referred to as the “Swap Transaction”).

2. An event of default occurred under, among other provisions, Section 5(a)(vii) of the Master Agreement as a result of the Chapter 11 bankruptcy filing by LBHI on September 15, 2008. A separate event of default under the same Section occurred by reason of the subsequent Chapter 11 bankruptcy filing by LBSF on October 3, 2008.

3. The occurrence of the events of default triggered various rights, both under the Master Agreement and otherwise, each of which is preserved by applicable provisions of the federal Bankruptcy Code without temporal limitation, including Simpson Meadows’ right to withhold monthly payments otherwise payable under the Master Agreement, the right to terminate the Swap Transaction if and when it so chooses under Sections 2(a)(iii), 5(a)(vii), and 6(a) of the Master Agreement, and the right to adequate protection of Simpson Meadows’ interests as a condition to it making any periodic payments to LBSF.

4. On June 19, 2009, upon securing a replacement swap for the Swap Transaction, pursuant to Section 6(a) of the Master Agreement Simpson Meadows designated in writing an Early Termination Date of June 19, 2009, with respect to the Swap Transaction, and accordingly terminated the Swap Transaction. (A copy of Simpson Meadows’ letter of June 19, 2009, is

attached hereto as Ex. A, and the arguments stated therein are incorporated into this Objection to the extent relevant.)

5. Subsequently, on July 1, 2009, Simpson Meadows provided to LBSF its calculation of the Settlement Amount as provided for in Sections 6(d) and 6(e)(i) of the Master Agreement. (A copy of Simpson Meadows' letter of July 1, 2009, is attached hereto as Ex. B, and the arguments stated therein are incorporated into this Objection to the extent relevant.)

6. The net amount owed by LBSF to Simpson Meadows – \$108,877 – served as the basis of the Proof of Claim Simpson Meadows filed on September 17, 2009, in case number 08-13888 (JMP) (Bankr. S.D.N.Y.) (Unique Identification No. 888044430), subject to amendment. Also on that same date, Simpson Meadows filed a Proof of Claim in case number 08-13555 (JMP) (Bankr. S.D.N.Y.) (Unique Identification No. 1000096389), asserting a claim against LBHI as Credit Support Provider/guarantor under the Swap Agreement for \$108,877, subject to amendment.

7. Pursuant to the ADR process the Court established through its order of September 17, 2009, Simpson Meadows and LBSF have undertaken to mediate the disputes between them.

8. Simpson Meadows objects to the Notice of Proposed Assumption as it relates to the Swap Agreement and the Swap Transaction to the extent that it assumes the Swap Transaction and the Swap Agreement (whatever provisions and/or obligations may be affected by designation of an Early Termination Date) have not already been terminated. To the contrary, Simpson Meadows designated an Early Termination Date of June 19, 2009, considers that termination valid and effective, and considers the Swap Transaction terminated as of that date. To the extent LBSF is improperly attempting to assume a terminated transaction or agreement, Simpson Meadows objects.

9. Furthermore, Simpson Meadows objects to the Cure Amount of \$0 set forth in the Notice of Proposed Assumption to the extent it would reduce the amount LBSF owes to Simpson Meadows to \$0. Instead, whether or not LBSF effectively assumes the Swap Agreement, Simpson Meadows maintains its claim for \$108,877 as a result of the occurrences of events of default under the Swap Agreement and Simpson Meadows' loss as a result thereof.

10. Simpson Meadows expressly reserves the right to amend, modify, or supplement this Objection at any time.

Dated: November 10, 2011
New York, New York

/s/ Andrew B. Eckstein
Andrew B. Eckstein

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